

REFERENCE TITLE: auditor general; duties; access

State of Arizona  
Senate  
Fifty-sixth Legislature  
First Regular Session  
2023

## **SB 1650**

Introduced by  
Senator Borrelli

### AN ACT

AMENDING SECTIONS 41-1278, 41-1279 AND 41-1279.02, ARIZONA REVISED STATUTES; REPEALING SECTION 41-1279.03, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 405, SECTION 25; AMENDING SECTION 41-1279.03, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2019, CHAPTER 3, SECTION 11; AMENDING SECTIONS 41-1279.04, 41-1279.06, 41-1279.07 AND 41-1279.21, ARIZONA REVISED STATUTES; REPEALING SECTION 41-1279.22, ARIZONA REVISED STATUTES; AMENDING SECTION 41-2954, ARIZONA REVISED STATUTES; RELATING TO THE AUDITOR GENERAL.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 41-1278, Arizona Revised Statutes, is amended to  
3 read:

4 41-1278. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Committee" means the joint legislative audit committee.

7 2. "Investigation" means an inquiry into specified acts or  
8 allegations of impropriety, malfeasance or nonfeasance in the obligation,  
9 expenditure, receipt or use of public ~~funds of this state~~ MONIES or into  
10 specified financial transactions or practices ~~which~~ THAT may involve such  
11 impropriety, malfeasance or nonfeasance.

12 3. "Performance audit" means an audit ~~which~~ THAT determines with  
13 regard to the purpose, functions and duties of the audited agency ~~at~~ ONE  
14 OR MORE of the following:

15 (a) Whether the audited agency is managing or ~~utilizing~~ USING its  
16 resources, including public ~~funds~~ MONIES of this state, personnel,  
17 property, equipment and space, in an economical and efficient manner.

18 (b) Causes of inefficiencies or uneconomical practices, including  
19 inadequacies in management information systems, internal and  
20 administrative procedures, organizational structure, use of resources,  
21 allocation of personnel, purchasing policies and equipment.

22 (c) Whether the desired results are being achieved.

23 (d) Whether objectives established by the legislature or other  
24 authorizing body are being met.

25 4. "Special audit" means an audit of limited scope.

26 5. "Special research request" means research and analysis of issues  
27 or questions that are designated as a special research request by the  
28 committee, but does not include a performance audit, financial audit,  
29 compliance audit, procedural review, special audit, investigation or  
30 evaluation required by law.

31 6. "State agency" means all departments, agencies, boards,  
32 commissions, institutions and instrumentalities of this state.

33 Sec. 2. Section 41-1279, Arizona Revised Statutes, is amended to  
34 read:

35 41-1279. Joint legislative audit committee; composition;  
36 meetings; powers and duties

37 A. The joint legislative audit committee is established consisting  
38 of five members of the senate who are appointed by the president of the  
39 senate, one of whom is a member of the senate appropriations committee,  
40 and five members of the house of representatives who are appointed by the  
41 speaker of the house of representatives, one of whom is a member of the  
42 house of representatives appropriations committee. Selection of members  
43 shall be based on their understanding of and interest in legislative audit  
44 oversight functions. Not more than three appointees of each house shall  
45 be of the same political party. The president and the speaker shall

1 designate one of their appointed members as chairperson of their  
2 respective delegation. The chairperson of the audit committee shall serve  
3 for the term of each legislature. The chairmanship of the audit committee  
4 shall alternate between the chairperson of the senate delegation and the  
5 chairperson of the house of representatives delegation beginning with the  
6 chairperson of the senate delegation. The president of the senate and the  
7 speaker of the house of representatives shall also serve as ex officio  
8 members of the committee.

9 B. The committee shall meet ~~at least quarterly~~ BIANNUALLY and on  
10 call of the chairperson. Members of the committee are eligible for  
11 reimbursement by their respective houses in the same manner as a member of  
12 the legislature who attends a meeting of a standing committee.

13 C. The committee shall:

14 1. Oversee all audit functions of the legislature and state  
15 agencies, including sunset, performance, special and financial audits,  
16 special research requests and the preparation and introduction of  
17 legislation resulting from audit report findings.

18 2. Appoint an auditor general subject to approval by a concurrent  
19 resolution of the legislature and direct the auditor general to perform  
20 all sunset, performance, special and financial audits and investigations.

21 3. Have the power of legislative subpoena in accordance with  
22 article 4 of this chapter.

23 4. Require state agencies to comply with findings and directions of  
24 the committee regarding sunset, performance, ~~AND~~ AND special and financial  
25 audits.

26 5. Perform all functions required by chapter 27 of this title  
27 relating to the sunset review of state agencies.

28 Sec. 3. Section 41-1279.02, Arizona Revised Statutes, is amended to  
29 read:

30 41-1279.02. Personnel; criminal history records

31 A. The auditor general ~~may~~, with the approval of the committee, MAY  
32 appoint and prescribe the duties of such additional professional,  
33 technical, clerical and other employees, or contract for such services,  
34 necessary to administer the duties of the auditor general's office. The  
35 employees shall receive compensation as determined pursuant to section  
36 38-611 and serve at the pleasure of the auditor general.

37 B. The auditor general may obtain criminal history record  
38 information pursuant to section 41-1750, subsection G from the department  
39 of public safety for the purpose of employment of personnel by the auditor  
40 general.

41 C. Information obtained pursuant to subsection B of this section  
42 shall not be disclosed by the auditor general except to members of the  
43 auditor general's staff PURSUANT TO THE REQUIREMENTS PRESCRIBED BY THE  
44 DEPARTMENT OF PUBLIC SAFETY AND solely for the purpose of employment of  
45 personnel by the auditor general.

1           Sec. 4. Repeal  
2           Section 41-1279.03, Arizona Revised Statutes, as amended by Laws  
3 2021, chapter 405, section 25, is repealed.

4           Sec. 5. Section 41-1279.03, Arizona Revised Statutes, as amended by  
5 Laws 2019, chapter 3, section 11, is amended to read:

6           41-1279.03. Powers and duties

7           A. The auditor general shall:

8           1. Prepare an audit plan for approval by the committee and report  
9 to the committee the results of each audit and investigation and other  
10 reviews conducted by the auditor general.

11           2. Conduct or cause to be conducted ~~at least biennial~~ ANNUAL  
12 financial and compliance audits of financial transactions and accounts  
13 kept by or for all state agencies subject to the FEDERAL single audit ~~act~~  
14 ~~of 1984 (P.L. 98-502)~~ REQUIREMENTS. The audits shall be conducted in  
15 accordance with generally accepted governmental auditing standards and  
16 accordingly shall include tests of the accounting records and other  
17 auditing procedures as may be considered necessary in the circumstances.  
18 The audits shall include the issuance of suitable reports as required by  
19 the FEDERAL single audit ~~act of 1984 (P.L. 98-502)~~ REQUIREMENTS so that  
20 the legislature, the federal government and others will be informed as to  
21 the adequacy of financial statements of ~~the~~ THIS state in compliance with  
22 generally accepted ~~governmental~~ accounting principles and to determine  
23 whether this state has complied with laws and regulations that may have a  
24 material effect on the financial statements and on major federal  
25 assistance programs.

26           3. Perform procedural reviews for all state agencies at times  
27 determined by the auditor general. These reviews may include evaluation  
28 of administrative and accounting internal controls and reports on these  
29 reviews.

30           4. Perform special research requests, special audits and related  
31 assignments as designated by the committee and conduct performance audits,  
32 special audits, special research requests and investigations of any state  
33 agency, whether created by the constitution or otherwise, as may be  
34 requested by the committee.

35           5. Annually on or before the fourth Monday of December, prepare a  
36 written report to the governor and to the committee that contains a  
37 summary of activities for the previous fiscal year.

38           6. In the ~~tenth~~ FIFTH year and in each fifth year thereafter in  
39 which a transportation excise tax is in effect in a county as provided in  
40 section 42-6106 or 42-6107, conduct a performance audit that:

41           (a) Reviews past expenditures and future planned expenditures of  
42 the transportation excise revenues and determines the impact of the  
43 expenditures in solving transportation problems within the county and, for  
44 a transportation excise tax in effect in a county as provided in section

1 42-6107, determines whether the expenditures of the transportation excise  
2 revenues comply with section 28-6392, subsection B.

3 (b) Reviews projects completed to date and projects to be completed  
4 during the remaining years in which a transportation excise tax is in  
5 effect. Within six months after each review period, the auditor general  
6 shall present a report to the speaker of the house of representatives and  
7 the president of the senate detailing findings and making recommendations.

8 (c) Reviews, determines, reports and makes recommendations to the  
9 speaker of the house of representatives and the president of the senate  
10 whether the distribution of ARIZONA highway user revenues complies with  
11 title 28, chapter 18, article 2.

12 7. If requested by the committee, conduct performance audits of  
13 counties and incorporated cities and towns receiving ARIZONA highway user  
14 revenue fund monies pursuant to title 28, chapter 18, article 2 to  
15 determine whether the monies are being spent as provided in section  
16 28-6533, subsection B.

17 8. Perform special audits designated pursuant to law if the auditor  
18 general determines that there are adequate monies appropriated for the  
19 auditor general to complete the audit. If the auditor general determines  
20 the appropriated monies are inadequate, the auditor general shall notify  
21 the committee. ~~BASED ON INFORMATION PROVIDED BY THE AUDITOR GENERAL, FOR~~  
22 ~~ANY LEGISLATIVE MEASURE THAT REQUIRES THE AUDITOR GENERAL TO PERFORM A~~  
23 ~~SPECIAL AUDIT, THE JOINT LEGISLATIVE BUDGET COMMITTEE STAFF SHALL NOTIFY~~  
24 ~~ALL THE MEMBERS OF THE LEGISLATURE AS SOON AS PRACTICABLE OF THE COST TO~~  
25 ~~CONDUCT THE SPECIAL AUDIT.~~

26 9. Establish a schoolwide audit team in the office of the auditor  
27 general to conduct performance audits and monitor school districts to  
28 determine the percentage of every dollar spent in the classroom by the  
29 school district. Each school district shall prominently post on its  
30 website home page a copy of its profile pages that displays the percentage  
31 of every dollar spent in the classroom by that school district from the  
32 most recent status report issued by the auditor general pursuant to this  
33 paragraph. ~~The performance audits shall determine whether school~~  
34 ~~districts that receive monies from the Arizona English language learner~~  
35 ~~fund established by section 15-756.04 and the statewide compensatory~~  
36 ~~instruction fund established by section 15-756.11 comply with title 15,~~  
37 ~~chapter 7, article 3.1.~~ The auditor general shall determine, through  
38 random selection, the school districts to be audited each year, subject to  
39 review by the joint legislative audit committee. A school district that  
40 is subject to an audit pursuant to this paragraph shall notify the auditor  
41 general in writing whether the school district agrees or disagrees with  
42 the findings ~~and recommendations~~ of the audit and whether the school  
43 district will implement the ~~findings and~~ recommendations, implement  
44 modifications to the ~~findings and~~ recommendations or refuse to implement  
45 the ~~findings and~~ recommendations. The school district shall submit to the

1 auditor general a written status report on the implementation of the audit  
2 ~~findings and recommendations every six months for two years after~~ AT THE  
3 REQUEST OF THE AUDITOR GENERAL, WITHIN THE TWO-YEAR PERIOD FOLLOWING THE  
4 ISSUANCE OF an audit conducted pursuant to this paragraph. The auditor  
5 general shall review the school district's progress toward implementing  
6 the ~~findings and recommendations of the audit every six months after~~  
7 ~~receipt of the district's status report for two years~~ AND PROVIDE STATUS  
8 REPORTS OF THE REVIEWS TO THE JOINT LEGISLATIVE AUDIT COMMITTEE DURING  
9 THIS TWO-YEAR PERIOD. The auditor general may review a school district's  
10 progress beyond this two-year period for recommendations that have not yet  
11 been implemented by the school district. ~~The auditor general shall~~  
12 ~~provide a status report of these reviews to the joint legislative audit~~  
13 ~~committee.~~ The school district shall participate in any hearing scheduled  
14 during this review period by the joint legislative audit committee or by  
15 any other legislative committee designated by the joint legislative audit  
16 committee.

17 10. Annually review per diem compensation and reimbursement of  
18 expenses for employees of this state and members of a state board,  
19 commission, council or advisory committee by judgmentally selecting  
20 samples and evaluating the propriety of per diem compensation and expense  
21 reimbursements.

22 B. The auditor general may:

23 1. Subject to approval by the committee, adopt rules necessary to  
24 administer the duties of the office.

25 2. Hire consultants to conduct the studies required by subsection  
26 A, paragraphs 6 and 7 of this section.

27 C. If approved by the committee, the auditor general may charge a  
28 reasonable fee for the cost of performing audits or providing accounting  
29 services for auditing federal funds, special audits or special services  
30 requested by political subdivisions of this state. Monies collected  
31 pursuant to this subsection shall be deposited in the audit services  
32 revolving fund.

33 D. The department of transportation, THE COUNTY TREASURER AND the  
34 board of supervisors of a county that has approved a county transportation  
35 excise tax as provided in section 42-6106 or 42-6107 and the governing  
36 bodies of counties, cities and towns receiving ARIZONA highway user  
37 revenue fund monies shall cooperate with and provide necessary information  
38 to the auditor general or the auditor general's consultant.

39 E. The department of transportation OR THE COUNTY TREASURER shall  
40 reimburse the auditor general as follows, and the auditor general shall  
41 deposit the reimbursed monies in the audit services revolving fund:

42 1. For the cost of conducting the studies or hiring a consultant to  
43 conduct the studies required by subsection A, paragraph 6, subdivisions  
44 (a) and (b) of this section, from monies collected pursuant to a county  
45 transportation excise tax levied pursuant to section 42-6106 or 42-6107.

1           2. For the cost of conducting the studies or hiring a consultant  
2 pursuant to subsection A, paragraph 6, subdivision (c) and paragraph 7 of  
3 this section, from the Arizona highway user revenue fund.

4           D. The department of transportation, **THE COUNTY TREASURER, THE**  
5 **COUNTY TRANSPORTATION EXCISE TAX RECIPIENTS AND** the board of supervisors  
6 of a county that has approved a county transportation excise tax as  
7 provided in section 42-6106 or 42-6107 and the governing bodies of  
8 counties, cities and towns receiving Arizona highway user revenue fund  
9 monies shall cooperate with and provide necessary information to the  
10 auditor general or the auditor general's consultant.

11           E. The department of transportation, **THE COUNTY TRANSPORTATION**  
12 **EXCISE TAX RECIPIENTS OR THE COUNTY TREASURER** shall reimburse the auditor  
13 general as follows, and the auditor general shall deposit the reimbursed  
14 monies in the audit services revolving fund:

15           1. For the cost of conducting the studies or hiring a consultant to  
16 conduct the studies required by subsection A, paragraph 6, subdivisions  
17 (a) and (b) of this section, from monies collected pursuant to a county  
18 transportation excise tax levied pursuant to section 42-6106 or 42-6107.

19           2. For the cost of conducting the studies or hiring a consultant  
20 pursuant to subsection A, paragraph 6, subdivision (c) and paragraph 7 of  
21 this section, from the Arizona highway user revenue fund.

22           Sec. 6. Section 41-1279.04, Arizona Revised Statutes, is amended to  
23 read:

24           41-1279.04. Authority to examine records; violation;  
25 classification

26           A. The auditor general or the auditor general's authorized  
27 representatives, in the performance of official duties, shall have access  
28 to, ~~EMPLOYEES~~ and **SHALL HAVE** authority to examine, ~~any and all books,~~  
29 accounts, reports, vouchers, correspondence files and other records, bank  
30 accounts, criminal history record information as defined in section  
31 41-1701 **AND IN ACCORDANCE WITH SECTION 41-1750, money MONIES** and other  
32 property of any state agency, board, commission, department, institution,  
33 program, advisory council or committee or political subdivision of this  
34 state, whether created by the constitution or otherwise, or such documents  
35 and property of a contractor relating to a contract with this state  
36 pursuant to ~~the provisions of~~ section 35-214. ~~It is the duty of any~~  
37 ~~officer or employee of~~ Any such agency or political subdivision, having  
38 such records under the officer's or employee's control, ~~to permit~~ **SHALL**  
39 **ALLOW** access to and examination of the records on the request of the  
40 auditor general or the auditor general's authorized representative.

41           B. For the purpose of complying with section 41-1279.03, subsection  
42 A, paragraphs 4 and 9, the auditor general or the auditor general's  
43 authorized representative, in the performance of official duties, may  
44 attend executive sessions of the governing body of any state agency or  
45 school district in this state.

1 C. For the purpose of auditing the department of revenue, the  
2 auditor general and the auditor general's authorized representatives have  
3 access to state tax returns, except that a report of the auditor general  
4 shall not violate the confidentiality of state tax laws.

5 D. ALL OFFICERS OF ANY STATE AGENCY, BOARD, COMMISSION, DEPARTMENT,  
6 INSTITUTION, PROGRAM, ADVISORY COUNCIL OR COMMITTEE OR POLITICAL  
7 SUBDIVISION OF THIS STATE SHALL PROVIDE REASONABLE AND NEEDED FACILITIES  
8 FOR AUDITOR GENERAL STAFF AND MAKE RECORDS AVAILABLE, IN THE FORM AND AT  
9 THE TIME PRESCRIBED.

10 ~~D.~~ E. Any officer or person who knowingly fails or refuses to  
11 ~~permit such~~ ALLOW access and examination PURSUANT TO THIS SECTION OR  
12 OTHERWISE OR KNOWINGLY OBSTRUCTS OR MISLEADS THE AUDITOR GENERAL IN THE  
13 EXECUTION OF THE AUDITOR GENERAL'S DUTIES is guilty of a class 2  
14 misdemeanor.

15 F. THE ATTORNEY GENERAL SHALL SUPERVISE THE PROSECUTION OF ALL  
16 OFFENDERS UNDER THIS SECTION.

17 Sec. 7. Section 41-1279.06, Arizona Revised Statutes, is amended to  
18 read:

19 41-1279.06. Audit services revolving fund: use: exemption  
20 from lapsing

21 A. ~~There is established an~~ THE audit services revolving fund IS  
22 ESTABLISHED. The auditor general shall administer the fund. The fund  
23 consists of any monies received by the auditor general from:

24 1. State budget units for audits of federal funds required under  
25 federal law and federal rules and regulations.

26 2. State budget units and counties, community college districts and  
27 school districts for which the auditor general performs special audits,  
28 financial statement audits OR AUDITS OF FEDERAL FUNDS RECEIVED UNDER  
29 FEDERAL LAWS, RULES AND REGULATIONS or provides accounting services.

30 3. COUNTIES WHERE THE AUDITOR GENERAL CONDUCTS A PERFORMANCE AUDIT  
31 OF THE TRANSPORTATION EXCISE TAX AS PRESCRIBED BY SECTION 41-1279.03.

32 4. ANY OTHER SOURCE AUTHORIZED BY LAW.

33 B. The auditor general shall use the fund monies for the purpose of  
34 conducting audits required under federal law, special audits or financial  
35 statement audits or accounting services requested by state budget units  
36 and counties, community college districts and school districts or to pay  
37 for certified public accountants to conduct such audits or provide such  
38 services.

39 C. Monies in the audit services revolving fund are exempt from the  
40 provisions of section 35-190, relating to lapsing of appropriations.



1           Sec. 8. Section 41-1279.07, Arizona Revised Statutes, is amended to  
2 read:

3           41-1279.07. Uniform expenditure reporting system; reports by  
4           counties, community college districts, cities  
5           and towns; certification and attestation;  
6           assistance by auditor general; attorney general  
7           investigation; violation; classification

8           A. The auditor general shall prescribe a uniform expenditure  
9 reporting system for all political subdivisions subject to the  
10 constitutional expenditure limitations prescribed by article IX, sections  
11 20 and 21, Constitution of Arizona. The system shall include:

12           1. For counties:

13           (a) An annual expenditure limitation report that includes at least  
14 the following information:

15           (i) The expenditure limitation established for the reporting fiscal  
16 year by the economic estimates commission.

17           (ii) Total expenditures, by fund, for the reporting fiscal year.

18           (iii) Total exclusions from local revenues, as defined by article  
19 IX, section 20, Constitution of Arizona, by fund, for the reporting fiscal  
20 year.

21           (iv) Total amounts, by fund, of expenditures subject to the  
22 expenditure limitation for the reporting fiscal year.

23           (b) Annual financial statements prepared in accordance with  
24 generally accepted accounting principles.

25           (c) A reconciliation of the total expenditures reported within the  
26 financial statements to the total expenditures stated within the  
27 expenditure limitation report.

28           2. For community college districts:

29           (a) An annual budgeted expenditure limitation report that includes  
30 at least the following information:

31           (i) The expenditure limitation established for the reporting fiscal  
32 year by the economic estimates commission.

33           (ii) Total budgeted expenditures, ~~by fund,~~ for the reporting fiscal  
34 year.

35           (iii) Total exclusions from local revenues, as defined by article  
36 IX, section 21, Constitution of Arizona, ~~by fund,~~ for the reporting fiscal  
37 year.

38           (iv) Total amounts, ~~by fund,~~ of budgeted expenditures subject to  
39 the expenditure limitation for the reporting fiscal year.

40           (b) Annual financial statements prepared in accordance with  
41 generally accepted accounting principles.

42           (c) A reconciliation of the total expenditures reported within the  
43 financial statements to the total expenditures reported within the  
44 expenditure limitation report.

1           3. For cities and towns:

2           (a) An annual expenditure limitation report that includes at least  
3 the following information:

4           (i) The expenditure limitation established for the reporting fiscal  
5 year by the economic estimates commission and, if applicable, the voter  
6 approved alternative expenditure limitation.

7           (ii) Total expenditures, by fund, for the reporting fiscal year.

8           (iii) Total exclusions from local revenues, as defined by article  
9 IX, section 20, Constitution of Arizona, by fund, for the reporting fiscal  
10 year or, if applicable, the total exclusions from the voter approved  
11 alternative expenditure limitation.

12           (iv) Total amounts, by fund, of expenditures subject to the  
13 expenditure limitation for the reporting fiscal year.

14           (b) Financial statements prepared in accordance with generally  
15 accepted accounting principles.

16           (c) A reconciliation of the total expenditures reported within the  
17 financial statements to the total expenditures reported within the  
18 expenditure limitation report.

19           B. The auditor general shall provide detailed instructions for  
20 completion and submission of the reports described in subsection A of this  
21 section. The auditor general shall prescribe definitions for terms used  
22 in and the form of the reports described in subsection A of this section.  
23 The reports described in subsection A of this section are required of  
24 counties and community college districts beginning with fiscal year  
25 1981-1982. The reports described in subsection A of this section are  
26 required of cities and towns beginning with the fiscal year the political  
27 subdivision is subject to the expenditure limitation. The annual  
28 reporting requirements also apply to political subdivisions subject to an  
29 alternative expenditure limitation enacted pursuant to article IX, section  
30 20, subsection (9), Constitution of Arizona.

31           C. The reports described in subsection A of this section must be  
32 filed with the auditor general within nine months after the close of each  
33 fiscal year.

34           D. The auditor general or a certified public accountant performing  
35 the annual audit required pursuant to sections 41-1279.21 and 9-481 shall  
36 attest to the expenditure limitation reports and financial statements for  
37 counties, community college districts and cities. The certified public  
38 accountant performing the annual or biennial audit required pursuant to  
39 section 9-481 shall attest to the expenditure limitation reports and  
40 financial statements for towns.

41           E. The governing body of each political subdivision shall provide  
42 to the auditor general by July 31 each year the name of the chief fiscal  
43 officer designated by the governing body of the political subdivision to  
44 officially submit the current fiscal year's expenditure limitation report  
45 on behalf of the governing body. The governing body of the political

1 subdivision shall notify the auditor general of any changes of individuals  
2 designated to file the required reports. The designated chief fiscal  
3 officer shall certify to the accuracy of the annual expenditure limitation  
4 report.

5 F. The auditor general shall prescribe forms for the uniform  
6 reporting system and may provide assistance to individuals, certified  
7 public accountants or public accountants responsible for attesting to the  
8 expenditure limitation reports and financial statements.

9 G. Each political subdivision, subject to the expenditure  
10 limitations prescribed by article IX, sections 20 and 21, Constitution of  
11 Arizona, shall comply with the uniform expenditure reporting system,  
12 instructions and forms prescribed by the auditor general. The auditor  
13 general may notify the committee and the attorney general if any political  
14 subdivision does not comply with the uniform expenditure reporting system,  
15 instructions or forms prescribed by the auditor general. The attorney  
16 general may file a petition for special action in any court of competent  
17 jurisdiction to compel any political subdivision to comply with this  
18 section. The attorney general may apply for injunctive relief in any  
19 court of competent jurisdiction to enjoin any political subdivision from  
20 violating this section. Injunctive and special action proceedings are in  
21 addition to all other penalties and other remedies prescribed by law.

22 H. A chief fiscal officer, designated pursuant to subsection E of  
23 this section, who subsequent to July 1, 1983 refuses to file the reports  
24 required by this section within the prescribed time periods or who  
25 intentionally files erroneous reports is guilty of a class 1 misdemeanor.  
26 A city or town exceeding the expenditure limitation prescribed or  
27 authorized pursuant to article IX, section 20, Constitution of Arizona,  
28 for any fiscal year, without authorization pursuant to such section, shall  
29 have the amount specified in subsection I of this section of its  
30 allocations of the state income tax, distributed pursuant to section  
31 43-206, withheld and redistributed to other cities and towns in the same  
32 manner as determined pursuant to that section, except that the population  
33 of the city or town exceeding the expenditure limitation shall not be  
34 included in the computation, and the city or town exceeding the  
35 expenditure limitation shall not be entitled to share in the  
36 redistribution. A community college district exceeding the expenditure  
37 limitation prescribed pursuant to article IX, section 21, Constitution of  
38 Arizona, for any fiscal year, without authorization pursuant to such  
39 section or section 15-1471, shall have the amount specified in subsection  
40 I of this section of its allocations of state aid, distributed pursuant to  
41 section 15-1466, withheld.

42 I. The auditor general shall hold a hearing to determine if any  
43 political subdivision has exceeded the expenditure limitations prescribed  
44 pursuant to article IX, sections 20 and 21, Constitution of Arizona. If a  
45 county has exceeded the expenditure limitations prescribed pursuant to

1 article IX, section 20, Constitution of Arizona, without authorization  
2 pursuant to that section, the auditor general shall notify the board of  
3 supervisors of the county to reduce the allowable levy of primary property  
4 taxes of the county pursuant to section 42-17051, subsection C. If any  
5 political subdivision other than a county has exceeded the expenditure  
6 limitations prescribed pursuant to article IX, sections 20 and 21,  
7 Constitution of Arizona, without authorization, the auditor general shall  
8 notify the state treasurer to withhold a portion of the political  
9 subdivision's allocations of the revenues described in subsection H of  
10 this section for the fiscal year subsequent to the auditor general's  
11 hearing as follows:

12 1. If the excess expenditures are less than five percent of the  
13 limitation, an amount equal to the excess expenditures.

14 2. If the excess expenditures are equal to or greater than five  
15 percent but less than ten percent of the limitation, or are less than five  
16 percent of the limitation but it is at least the second consecutive  
17 instance of excess expenditures, an amount equal to triple the excess  
18 expenditures.

19 3. If the excess expenditures are equal to or greater than ten  
20 percent of the limitation, an amount equal to five times the excess  
21 expenditures or one-third of the allocation of the revenues described in  
22 subsection H of this section, whichever is less.

23 J. A county, city or town is not deemed to have exceeded the  
24 expenditure limitation if the county, city or town makes expenditures for  
25 capital improvements from utility revenues pursuant to title 9, chapter 5,  
26 article 3 or from excise taxes levied by the county, city or town for a  
27 specific purpose and the county, city or town repays the expenditure from  
28 the proceeds of bonds or other lawful long-term obligations before the  
29 hearing required by subsection I of this section.

30 Sec. 9. Heading Change

31 The article heading of title 41, chapter 7, article 10.2, Arizona  
32 Revised Statutes, is changed from "POST AUDIT OF COUNTIES, COMMUNITY  
33 COLLEGE DISTRICTS AND SCHOOL DISTRICTS" to "POSTAUDIT OF COUNTIES,  
34 COMMUNITY COLLEGE DISTRICTS AND SCHOOL DISTRICTS".

35 Sec. 10. Section 41-1279.21, Arizona Revised Statutes, is amended  
36 to read:

37 41-1279.21. Powers and duties of auditor general relating to  
38 counties, school districts and community  
39 colleges

40 A. In addition to other powers and duties prescribed by law, the  
41 auditor general shall:

42 1. Conduct or cause to be conducted annual financial ~~and compliance~~  
43 **STATEMENT** audits of financial transactions and accounts kept by or for all  
44 counties. **FOR A COUNTY THAT IS REQUIRED TO COMPLY WITH THE FEDERAL SINGLE**  
45 **AUDIT REQUIREMENTS, AUDITS SHALL INCLUDE COMPLIANCE AUDITS OF FINANCIAL**

1 TRANSACTIONS AND APPLICABLE ACCOUNTS KEPT BY OR FOR THE COUNTY. THE AUDITS  
2 SHALL BE CONDUCTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL  
3 AUDITING STANDARDS AND, ACCORDINGLY, SHALL INCLUDE TESTS OF THE ACCOUNTING  
4 RECORDS AND OTHER AUDITING PROCEDURES AS MAY BE CONSIDERED NECESSARY UNDER  
5 THE CIRCUMSTANCES. Each county shall provide financial information for  
6 inclusion in the annual audit that verifies that ARIZONA highway user  
7 revenue fund monies received by the county pursuant to title 28, chapter  
8 18, article 2 and any other dedicated state transportation revenues  
9 received by the county are being used solely for the authorized  
10 transportation purposes.

11 2. Perform procedural reviews for school districts that are not  
12 required to comply with the FEDERAL single audit ~~act of 1984 (P.L. 98-502)~~  
13 REQUIREMENTS at times determined by the auditor general. These reviews  
14 may include evaluation of administrative and accounting internal controls  
15 and reports on such reviews.

16 3. Conduct or cause to be conducted annual FINANCIAL STATEMENT  
17 audits of financial transactions and accounts kept by or for community  
18 college districts. FOR A COMMUNITY COLLEGE DISTRICT THAT IS REQUIRED TO  
19 COMPLY WITH THE FEDERAL SINGLE AUDIT REQUIREMENTS, AUDITS SHALL INCLUDE  
20 COMPLIANCE AUDITS OF FINANCIAL TRANSACTIONS AND APPLICABLE ACCOUNTS KEPT  
21 BY OR FOR THE COMMUNITY COLLEGE DISTRICT. THE AUDITS SHALL BE CONDUCTED  
22 IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS AND,  
23 ACCORDINGLY, SHALL INCLUDE TESTS OF THE ACCOUNTING RECORDS AND OTHER  
24 AUDITING PROCEDURES AS MAY BE CONSIDERED NECESSARY UNDER THE  
25 CIRCUMSTANCES.

26 4. Approve contracts for financial and compliance auditing services  
27 except if specific statutory authority is otherwise provided. The auditor  
28 general shall ensure that such contract audits are conducted in accordance  
29 with generally accepted governmental auditing standards and shall  
30 determine if such audits meet minimum audit standards prescribed by the  
31 auditor general. An audit shall not be accepted as meeting the  
32 requirements of this paragraph until it has been approved by the auditor  
33 general.

34 5. Order and enforce a correct and uniform system of accounting by  
35 county, community college district and school district officers and  
36 instruct them in the proper mode of keeping accounts of their offices.

37 6. Require of county treasurers and custodians of county, community  
38 college district or school district funds, as often as the auditor general  
39 deems necessary, a verified statement of their accounts.

40 7. Report to the committee and to the attorney general the refusal  
41 or neglect of any county, community college district or school district  
42 officer to conform to rules and regulations of the auditor general's  
43 office.

1 8. Report to the committee and to the governor the result of the  
2 auditor general's examinations of county, community college district and  
3 school district offices as often as required by public interest.

4 B. The auditor general may adopt rules providing for disapproving  
5 contracts, and suspending or debaring any contractor providing financial  
6 and compliance auditing services to a school district based ~~upon~~ ON  
7 applicable standards similar to those adopted by this state under section  
8 41-2613.

9 C. Notwithstanding any other law, the disapproval of a contract or  
10 the suspension or debarment may be appealed to the superior court pursuant  
11 to title 12, chapter 7, article 6.

12 Sec. 11. Repeal

13 Section 41-1279.22, Arizona Revised Statutes, is repealed.

14 Sec. 12. Section 41-2954, Arizona Revised Statutes, is amended to  
15 read:

16 41-2954. Committees of reference; performance review reports;  
17 hearings; recommendations; subpoena powers;  
18 definitions

19 A. Each standing committee of both legislative houses shall  
20 constitute a committee of reference in the committee's respective subject  
21 matter areas and the committee's respective house.

22 B. After receipt of the preliminary sunset review report, each  
23 committee of reference or each committee of reference meeting jointly  
24 shall hold at least one public hearing when the legislature is not in  
25 session or before the third Friday in January to receive testimony from  
26 the public and from the officials of the agency involved. The agency  
27 involved shall prepare a presentation for the first public meeting that  
28 addresses the elements of the written statement required by subsection G  
29 of this section.

30 C. Each committee of reference shall hold public hearings for the  
31 following purposes:

32 1. To determine the actual need of the agency to regulate or direct  
33 the particular activity.

34 2. To determine the extent to which the statutory requirements of  
35 the agency are necessary and are being met.

36 3. To receive testimony from the public as to the relationship of  
37 the agency with the public.

38 4. To receive testimony from the executive director or other head  
39 of the agency as to reasons for the continuation of the agency.

40 D. Each committee of reference shall consider but not be limited to  
41 the following factors in determining the need for continuation or  
42 termination of each agency:

43 1. The ~~objective and purpose~~ KEY STATUTORY OBJECTIVES AND PURPOSES  
44 in establishing the agency ~~and the extent to which the objective and~~  
45 ~~purpose are met by private enterprises in other states.~~

1           2. The ~~extent to which the agency has met its statutory objective~~  
2 ~~and purpose and the efficiency with which it has operated~~ AGENCY'S  
3 EFFECTIVENESS AND EFFICIENCY IN FULFILLING ITS KEY STATUTORY OBJECTIVES  
4 AND PURPOSES.

5           3. The extent to which the ~~agency serves the entire state rather~~  
6 ~~than specific interests~~ AGENCY'S KEY STATUTORY OBJECTIVES AND PURPOSES  
7 DUPLICATE THE OBJECTIVES AND PURPOSES OF OTHER GOVERNMENTAL AGENCIES OR  
8 PRIVATE ENTERPRISES.

9           4. The extent to which rules adopted by the agency are consistent  
10 with the legislative mandate.

11           5. The extent to which the agency has ~~encouraged input from the~~  
12 ~~public before adopting its rules and the extent to which it has informed~~  
13 ~~the public as to its actions and the expected impact on the public~~  
14 PROVIDED APPROPRIATE PUBLIC ACCESS TO RECORDS, MEETINGS AND RULEMAKINGS,  
15 INCLUDING SOLICITING PUBLIC INPUT IN MAKING RULES AND DECISIONS.

16           6. The extent to which the agency ~~has been able to investigate and~~  
17 ~~resolve~~ TIMELY INVESTIGATED AND RESOLVED complaints that are within its  
18 jurisdiction ~~and the ability of the agency to timely investigate and~~  
19 ~~resolve complaints within its jurisdiction.~~

20           7. The extent to which the ~~attorney general or any other applicable~~  
21 ~~agency of state government has the authority to prosecute actions under~~  
22 ~~the enabling legislation~~ LEVEL OF REGULATION EXERCISED BY THE AGENCY IS  
23 APPROPRIATE AS COMPARED TO OTHER STATES OR BEST PRACTICES, OR BOTH.

24           8. The extent to which ~~agencies have addressed deficiencies in~~  
25 ~~their enabling statutes that prevent them from fulfilling their statutory~~  
26 ~~mandate~~ THE AGENCY HAS ESTABLISHED SAFEGUARDS AGAINST POSSIBLE CONFLICTS  
27 OF INTEREST.

28           9. The extent to which changes are necessary ~~in the laws of~~ FOR the  
29 agency to ~~adequately comply with the factors listed in this subsection~~  
30 MORE EFFICIENTLY AND EFFECTIVELY FULFILL ITS KEY STATUTORY OBJECTIVES AND  
31 PURPOSES OR TO ELIMINATE STATUTORY RESPONSIBILITIES THAT ARE NO LONGER  
32 NECESSARY.

33           10. The extent to which the termination of the agency would  
34 significantly affect the public health, safety or welfare.

35           ~~11. The extent to which the level of regulation exercised by the~~  
36 ~~agency compares to other states and is appropriate and whether less or~~  
37 ~~more stringent levels of regulation would be appropriate.~~

38           ~~12. The extent to which the agency has used private contractors in~~  
39 ~~the performance of its duties as compared to other states and how more~~  
40 ~~effective use of private contractors could be accomplished.~~

41           ~~13. The extent to which the agency potentially creates unexpected~~  
42 ~~negative consequences that might require additional review by the~~  
43 ~~committee of reference, including increasing the price of goods, affecting~~  
44 ~~the availability of services, limiting the abilities of individuals and~~  
45 ~~businesses to operate efficiently and increasing the cost of government.~~

1 E. Each committee of reference that reviews an agency that  
2 administers an occupational regulation ~~as defined in section 41-3501~~ shall  
3 consider but not be limited to the following factors in determining the  
4 need for continuation or termination of each agency:

5 1. The extent to which the occupational regulation meets the  
6 requirements of section 41-3502.

7 2. The extent to which failure to regulate a profession or  
8 occupation will result in:

9 (a) The loss of insurance.

10 (b) An impact to the ability to practice in other states or as  
11 required by federal law.

12 (c) An impact to the required licensure or registration with the  
13 federal government.

14 (d) The loss of constitutionally afforded practices.

15 F. The committee of reference shall deliver the final sunset review  
16 report of its recommendations to the president of the senate, the speaker  
17 of the house of representatives, the governor, the auditor general and the  
18 affected agency on or before the third Friday in January. The  
19 recommendations shall include one or more of the following:

20 1. That the state agency be continued.

21 2. That the state agency be revised or consolidated.

22 3. That the state agency be terminated pursuant to this chapter.

23 4. If the state agency administers an occupational regulation ~~as~~  
24 ~~defined in section 41-3501~~, that the legislature:

25 (a) Repeal the occupational or professional license.

26 (b) Convert the occupational or professional license to a less  
27 restrictive regulation as defined in section 41-3501.

28 (c) Instruct the state agency to seek legislation or adopt rules to  
29 reflect the committee of reference's recommendation to:

30 (i) Impose less restrictive regulations than occupational or  
31 professional licenses, ~~as defined in section 41-3501~~.

32 (ii) Change the requisite personal qualifications of an  
33 occupational or professional license.

34 (iii) Redefine the scope of practice in an occupational or  
35 professional license.

36 G. The final sunset review report by each committee of reference  
37 shall also include a written statement prepared by the agency involved  
38 that contains **AN ASSESSMENT OF:**

39 ~~1. An identification of the problem or the needs that the agency is~~  
40 ~~intended to address.~~

41 ~~2. A statement, to the extent practicable, in quantitative and~~  
42 ~~qualitative terms, of the objectives of such agency and its anticipated~~  
43 ~~accomplishments.~~



1 ~~3. An identification of any other agencies having similar,~~  
2 ~~conflicting or duplicate objectives, and an explanation of the manner in~~  
3 ~~which the agency avoids duplication or conflict with other such agencies.~~

4 1. THE EXTENT TO WHICH THE AGENCY POTENTIALLY CREATES UNEXPECTED  
5 NEGATIVE CONSEQUENCES THAT MAY REQUIRE ADDITIONAL REVIEW BY THE COMMITTEE  
6 OF REFERENCE, INCLUDING INCREASING THE PRICE OF GOODS, AFFECTING THE  
7 AVAILABILITY OF SERVICES, LIMITING THE ABILITIES OF INDIVIDUALS AND  
8 BUSINESSES TO OPERATE EFFICIENTLY AND INCREASING THE COST OF GOVERNMENT.

9 2. THE EXTENT TO WHICH THE AGENCY HAS ADDRESSED DEFICIENCIES IN ITS  
10 ENABLING STATUTES AND DETERMINED WHETHER THE ATTORNEY GENERAL OR ANY OTHER  
11 AGENCY IN THIS STATE HAS THE AUTHORITY TO PROSECUTE ACTIONS.

12 ~~4. 3. An assessment of~~ The consequences of eliminating the agency  
13 or of consolidating it with another agency.

14 H. Each committee of reference shall oversee the preparation of any  
15 proposed legislation to implement the recommendations of that committee of  
16 reference and is responsible for the introduction of such legislation.

17 I. If an agency is continued, it is not necessary to reappoint any  
18 member of the governing board or commission of the agency. Such members  
19 are eligible to complete their original terms without reappointment or  
20 reconfirmation.

21 J. Each committee of reference shall have the power of legislative  
22 subpoena pursuant to chapter 7, article 4 of this title.

23 K. FOR THE PURPOSES OF THIS SECTION, "LESS RESTRICTIVE REGULATION",  
24 "OCCUPATIONAL OR PROFESSIONAL LICENSE" AND "PERSONAL QUALIFICATIONS" HAVE  
25 THE SAME MEANINGS PRESCRIBED IN SECTION 41-3501.